

Electronic Loan Processing; the Way of the Future

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“Helping U.S. businesses start, grow, create jobs and succeed” is at the core of SBA’s mission. The agency could not meet that commitment, however, were it not for an array of resource and lending partners that make possible the effective delivering of SBA programs and services.

Lenders are a sizable and important part of that group, as our financial assistance is channeled and mostly managed through lending institutions. It stands to reason, then, for the SBA to constantly look for ways to improve its partnership with lenders and make it easier for them to make loans to small businesses.

Bringing technology into the dynamics of that relationship is one significant way in which SBA facilitates the work of lenders. One key technological achievement has been the successful implementation of the electronic loan processing system for 7(a) lending, also known as E-Tran.

In essence, E-Tran allows lenders to communicate and perform most relevant transactions with SBA electronically, thus cutting down substantially on both paperwork and processing time. If the old adage “time is money” is true, and it is, electronic loan processing, in the end, translates into savings to lenders. These savings have a direct, two-fold potential impact on borrowers:

- May encourage lender to do more lending
- Some savings may be passed on to borrowers

In fiscal year 2013, SBA had a priority goal to reach 90% electronic processing for 7(a). That goal was not only reached but surpassed, as the agency ended the year with 92% of 7(a) loan transactions conducted electronically. Beginning Jan. 1, 2014, SBA is moving toward 100% electronic loan processing for 7(a).

A key driver toward our electronic processing and loan servicing success is the ability of the Office of Capital Access, OCA, which handles lender relations, to publish XML open standards of loan origination and servicing requirements. This feature enables SBA software vendors -and even lenders- the ability to incorporate SBA’s electronic loan specifications into their own commercial packages. This provides multiple options for lenders interested in working with the SBA electronically – they are not bound to one SBA set of screens

By the same token, SBA then can become more of a “wholesaler” of the electronic standards required to work with SBA from origination to servicing. Ultimately, through this process, we see the SBA-related industry taking additional automation steps to further streamline the loan guaranty process for borrowers.

An additional benefit to our end user, i.e., the small business borrower, is that every technological innovation SBA enables provides the industry the tools to further automate the borrower-to-lender-to-SBA transaction and increase transparency.

While we don't have hard data to reflect the degree of lender satisfaction with the system, there is anecdotal and empirical evidence that E-Tran is increasingly popular with lenders, as they see and reap its benefits. Lenders are progressively incorporating compatible systems in their transactions with borrowers, increasingly moving to a seamless borrower-lender-SBA-lender-borrower process.

Until the advent of E-Tran, one of the most common issues raised by non-SBA lenders as an obstacle to becoming one was a perception that transactions with SBA tended to be cumbersome and time-consuming. Today, by contrast, E-Tran is one of the features the agency can and does use as a tool to encourage more lenders to join the SBA ranks.

For more information about SBA and electronic loan processing, or if you are interested in becoming an SBA lender, visit your local [SBA District Office](#) and ask to speak with a lender relations specialist.